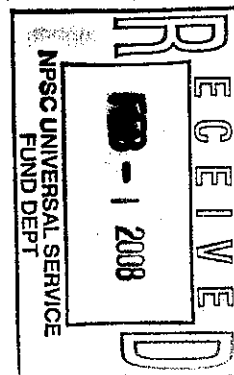


BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Nebraska ) Application No. NUSF-64  
Public Service Commission, on )  
its own motion, seeking to )  
investigate the use of expense )  
caps in the earnings calculation )  
for Nebraska universal service )  
fund support. )  
)  
)  
)  
)  
)



**TESTIMONY OF JEFFREY PURSLEY, DIRECTOR OF THE NEBRASKA  
TELECOMMUNICATIONS INFRASTRUCTURE AND PUBLIC SAFETY DEPARTMENT**

Q: PLEASE STATE YOUR NAME FOR THE RECORD

A: Jeffrey Pursley. P-U-R-S-L-E-Y.

Q: BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A: I am the Director of the Nebraska Telecommunications Infrastructure and Public Safety (NTIPS) Department of the Nebraska Public Service Commission. The NTIPS Department oversees the operation of the Nebraska Universal Service Fund (NUSF).

Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A: The purpose of my testimony is to discuss the staff's recommendations in the investigation on the use of expense caps in the earnings calculation for NUSF support.

Q: HAVE YOU REVIEWED THE COMMISSION ORDERS AND THE RESPONSIVE COMMENTS FILED BY INTERESTED PERSONS?

A: Yes. The Commission opened this investigation to determine whether it should look more closely at expenses of the Nebraska eligible telecommunications carriers (NETCs) receiving support

from the high-cost support mechanism. While the Commission has implemented a number of safeguards to prevent companies from using NUSF support for purposes in which it is not intended, the Staff believes an additional test to ensure that the carriers' costs are within a reasonable range would improve Commission oversight. As a staff, we are not interested in a mechanism which would deter investment in telecommunications infrastructure. Further, this investigation should not be used as a means to second-guess the propriety business decisions. However, I recognize that some boundaries should be considered so that NUSF support is not used for significantly unreasonable and over-inflated expenses. As NUSF high-cost support is a limited resource and we need to make sure that the use of support is in line with the standard in the industry. Thus, while a number of commenters have argued that an expense cap is unnecessary in light of other mechanisms-such as the annual NETC filings to determine whether support was used for its intended purpose, the NUSF-EARN Form filing, and the 12 percent rate of return benchmark, I do not believe there to be a mechanism in place that specifically shows at what point expenses should not be funded through the NUSF high-cost support mechanism.

A number of the commenters have stated that the Commission needs to better articulate the reason for this investigation. I believe the Commission has already articulated its concerns in

previous orders. However, many of policy reasons behind this investigation are a matter of public accountability.

Q: DO YOU HAVE ANY RECOMMENDATIONS FOR CHANGES AS A RESULT OF THE COMMENTS YOU REVIEWED?

A: Yes. First, I would support the recommendation to treat company entities as they are treated in the distribution model. For example, if Huntel is considered one entity for the purposes of NUSF high-cost distribution, then I would recommend treating Huntel as one company for the purpose of the Staff Methodology. I would also recommend changing the Staff methodology to use supported households as some of the commenters suggest. The staff believes that this would be consistent with how the NUSF-26 model accounts for high-cost support. A number of the commenters supported frequent updates to the base period in the Staff Methodology. However, after considering those comments, the Staff believes that rather than use a rolling average which would be administratively difficult and which would make the calculation unpredictable, the Commission should adopt a fixed period of time and then use an industry specific inflation factor adjusted for efficiency to update the Staff Methodology. While all company inputs into the proposed calculations need to be based upon total company results, the staff would adjust results accordingly when a company files its EARN form on a total state or supported services level. This adjustment would

be made at the back end of the Staff Methodology rather than at the front end.

Q: SOME COMPANIES QUESTION WHAT HAPPENS SHOULD THEY FALL ABOVE THE UPPER BOUNDARY OF THE STAFF METHODOLOGY. WHAT IS YOUR OPINION ON THAT?

A: The Commission should deal with that issue on a case-by-case basis. The Commission should request the company file more information as to why its expenses are above the upper boundary and then if the Commission has questions or believes that this is unreasonable, then the Commission should hold a hearing on the issue and determine if any adjustments should be made to a Company's EARN Form.

Q: DOES THIS CONCLUDE YOUR TESTIMONY?

A: Yes. I am available for any questions.

Dated: February 1, 2008.

Respectfully Submitted,

JEFFREY PURSLEY, DIRECTOR  
NTIPS DEPARTMENT OF THE NEBRASKA  
PUBLIC SERVICE COMMISSION

By:



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Certificate of Filing and Service

The undersigned hereby certifies that the Pre-filed Testimony of Jeffrey Pursley, by and through Commission counsel was filed and served this 1st day of February, 2008 via hand delivery on the following:

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Shana Knutson

